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14 March 1955

MEMORANDUM FOR: Director of Central Intelligence
THROUGH: Deputy Director (Intelligence)
SUBJECT: Chinese Nationalist Vulnerability to Subversion

1. There continues to be reason to believe that the problem of Chinese Nationalist vulnerability to subversion is more serious than is generally recognized.

2. A November 1954 study by the Office of Intelligence Research of the Department of State concludes that there is only a negligible amount of subversive activity on Formosa and that Nationalist internal security forces are adequate to cope with current and any likely future subversive activity. It is believed that this is, or at least was, the majority view of the intelligence community in Washington.



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5. We believe that the Peiping regime is in earnest in its repeatedly proclaimed intention to "liberate" all Nationalist-held territory. Peiping's propaganda has continued to suggest that further preparations are necessary before a full-scale operation against Formosa and the Pescadores can be launched. The Chinese Communists are regarded as capable, however, of attacking the remaining Nationalist-held offshore islands with little warning.

State Dept. review completed

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6. The Chinese Communists are clearly conducting a psychological warfare effort against the Chinese Nationalists, parallel with the military effort, as was the pattern in Communist operations during the civil war on the mainland. Since last July Chinese Communist propaganda directed at Formosa--at Nationalist leaders, Nationalist armed forces, the Nationalist bureaucracy, and the Formosans themselves--has greatly increased. It seems probable that Communist efforts to infiltrate Formosa have increased in the same period.

7. There are other actions within Communist capabilities, prior to an all-out military effort against Formosa and the Pescadores, which could increase Nationalist vulnerability to subversion. Among these are the capture of additional offshore islands, air attacks on Formosa, and the assassination of Nationalist leaders (possibly including Chiang Kai-shek).

8. The Chinese Communists themselves apparently expect their subversive efforts to play an important part in Formosa's eventual "liberation." Communist spokesmen have said both privately and publicly in recent months that they believe the island will fall through a combination of Communist military action and internal uprisings. Peiping is apparently attempting to create, well in advance of a military assault, the conditions which would produce such uprisings at the time of an assault.

9. Since 1949 the hope for a "return to the mainland" has been an important cohesive factor among the Chinese Nationalists. This hope has almost certainly been dimmed since last December, as there have been several developments which the Nationalists must interpret as meaning that the United States does not intend to provide the heavy support required for a large-scale Nationalist operation against the mainland. International pressure for a cease-fire in the China area has been greatly intensified. Taipei has lost one of its three major island outposts, and the remaining islands are being threatened.

10. Another factor which could promote disaffection is the chronic surplus of both civil officials and military officers, particularly in the higher ranks. This entails the enforced inaction of many men who held important positions on the mainland, and the frustration of many competent younger persons.

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11. Another basic factor is the continued austerity of life on Formosa. Although general living conditions are well above the Asian standard, they are not comfortable for the great majority. Economic conditions will deteriorate steadily as the population grows and per capita productivity declines, and conditions could become drastically worse in the event of an inflationary spurt. While all levels of Nationalist military and civil officialdom are probably aware that conditions are hard on the mainland too, many may believe that privation in Communist China would be more tolerable due to apparent progress toward national goals.

12. The elements on Formosa which appear most likely to be affected by the above factors--the dimming of hopes for a return, the chronic surplus of functionaries, and continued austerity--would seem to be the middle and lower levels of the bureaucracy and the younger army officers, including field grade officers now commanding regiments and in some cases divisions. These elements would also seem capable of making their disaffection effective.

13. While Nationalist elements below the level of top leadership appear most vulnerable to Communist subversion, Nationalist leaders do not seem immune. Only Chiang Kai-shek has been officially classified by the Communists as irredeemable. Many other leaders may believe--as a result of Communist promises, their own assessment of their skills, and the continued good health and activity of many onetime Nationalist leaders now associated with the Peiping regime--that they might conclude a mutually profitable agreement with Peiping.

14. The enlisted ranks of the Nationalist armed forces would also seem to constitute a worthwhile target for Communist subversion, despite their continual indoctrination and surveillance by Nationalist political officers. There is no current evidence of widespread disaffection in the ranks.

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15. The native Formosans, who outnumber the Nationalists from the mainland about four to one (eight million to two million), would also seem potentially vulnerable to subversion. Although relations between the Nationalists and the

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Formosans have greatly improved in recent years as a result of reforms, resentment of Nationalist brutality and misrule prior to 1950 is believed to be still strong in some Formosan circles. The Nationalists continue to treat the Formosans as second-class citizens in many respects, and the costs of government continue to press most heavily on the Formosans. The declining prospects of a Nationalist return to the mainland may well stimulate the Formosans to seek an alternative to Nationalist rule.

16. The Chinese Communists are not known to have made substantial progress in recent months in their efforts to induce Nationalist defections. Known defections since last October have amounted only to three airmen and a handful of troops from the offshore islands.

17. Chinese Nationalist figures relating to subversion present a similarly reassuring appearance. Indeed, if they could be accepted, they would indicate a decreasing problem of subversion. Chiang Ching-kuo's figures for convictions in cases of subversion show a steady decline since 1950.

18. However, these comparatively cheerful figures--both for overt defections and for subversion convictions--may be misleading. The conditions tending to induce defection are expected to grow more serious, and the number of defections may rise sharply. Communist subversive efforts may also increase appreciably, and indeed may already have increased, without a reflection of such increase in Nationalist figures.

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21. It is believed that there is insufficient information at hand to permit a confident assessment of the dimensions of the subversive threat on Formosa (a) in the Nationalist leadership, (b) in the armed forces, in all ranks, (c) among civil officials at all levels, and (d) among the native Formosans. 



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